

Ham and Eggs in the 21st Century?

*An Updated Look at What the Past Tells
Us about the Future of Retiring Baby
Boomers and an Aging American Society*

Daniel J.B. Mitchell

Professor-Emeritus, UCLA

Middlebury College, April 13, 2011



Ham and Eggs in the 21st Century?

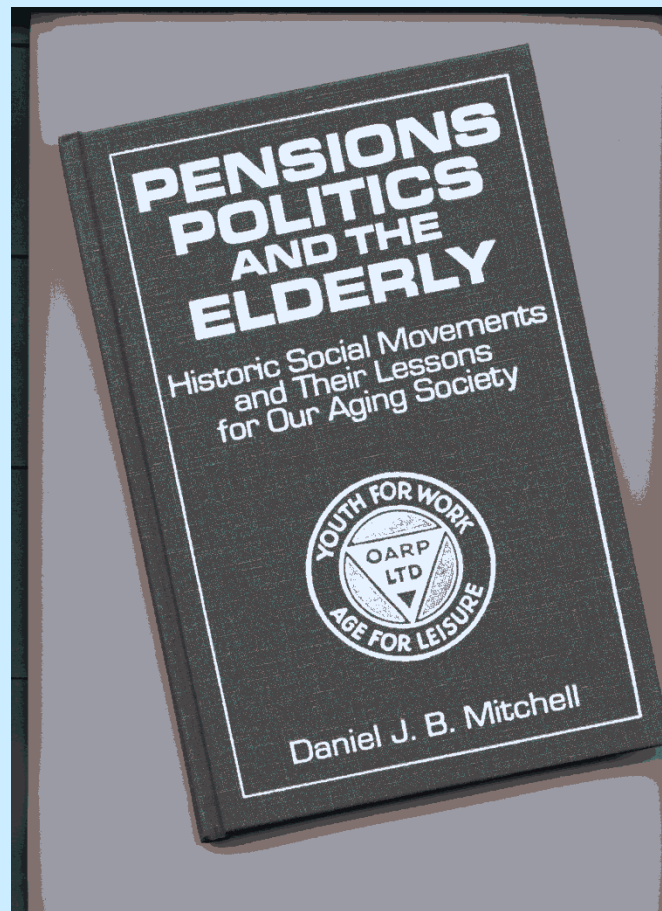
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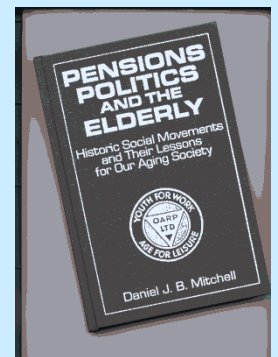
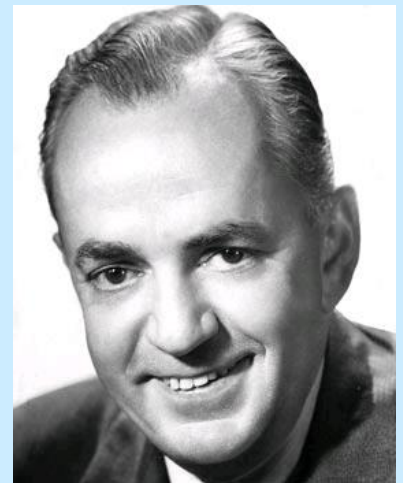
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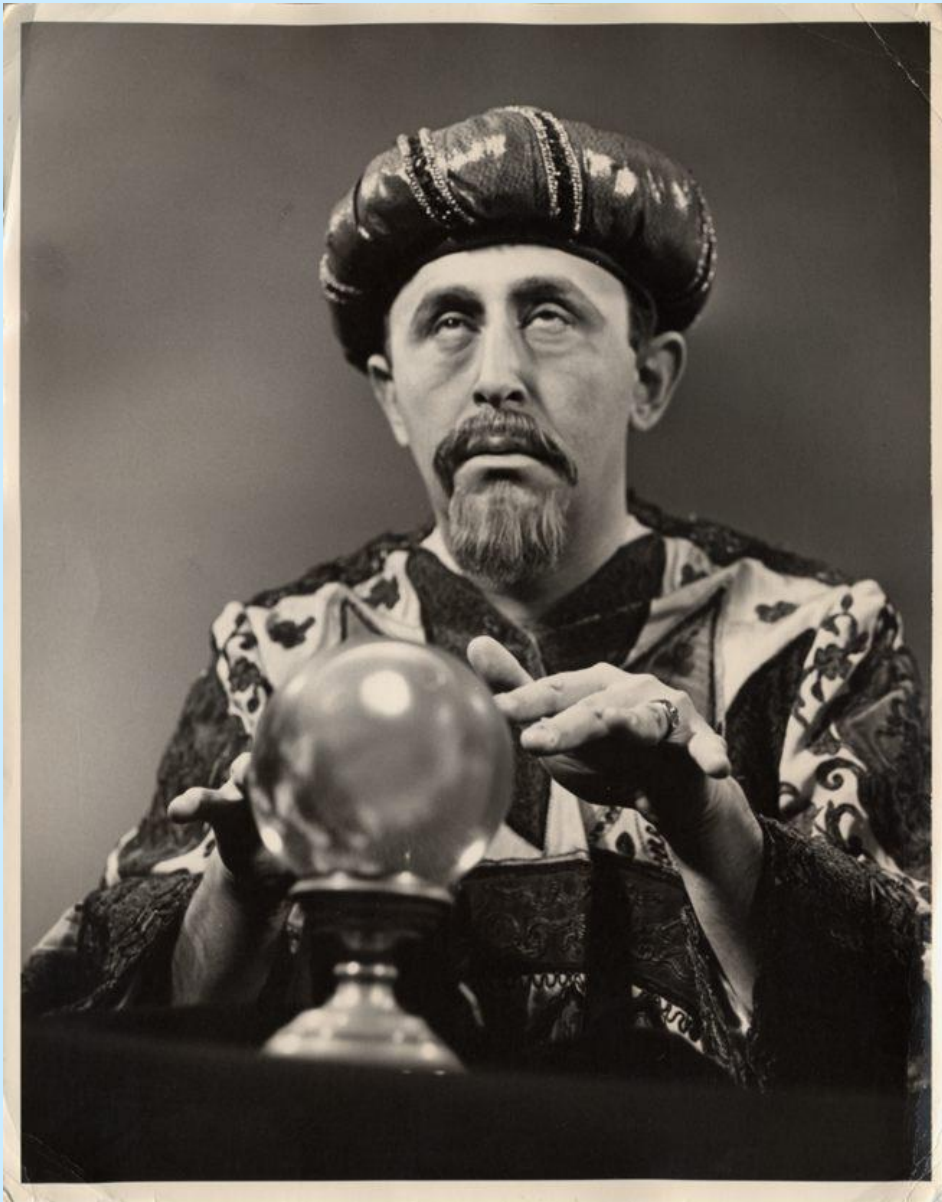








The Dangers of Long-Term Forecasting

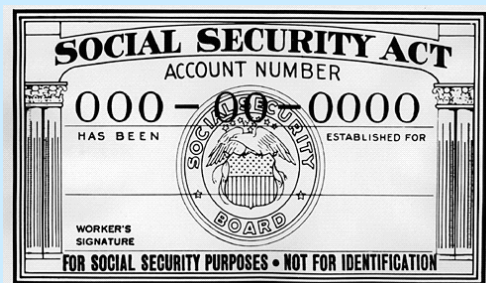
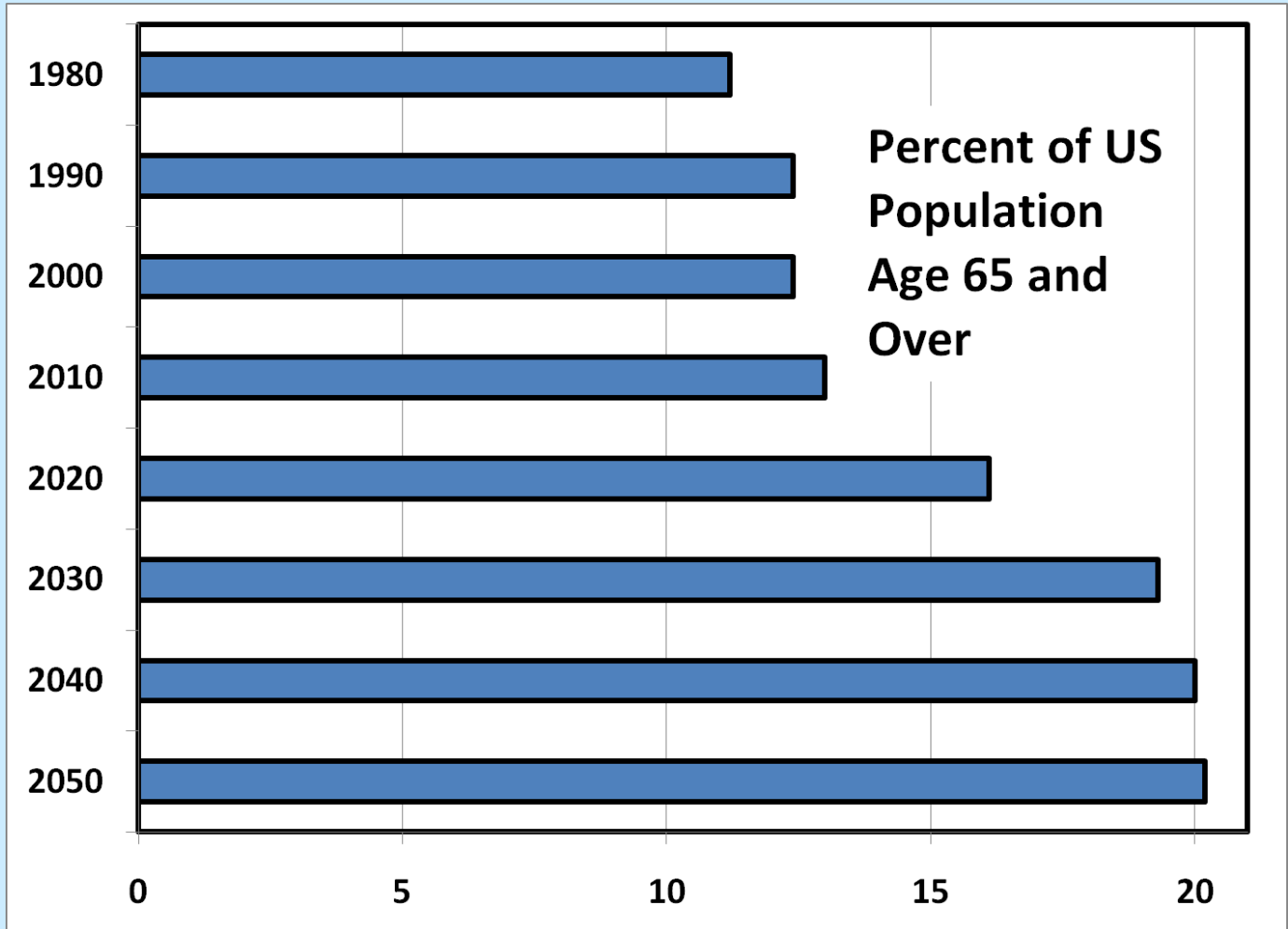


The Dangers of Long-Term Forecasting



The boomers are coming!

The boomers are coming!



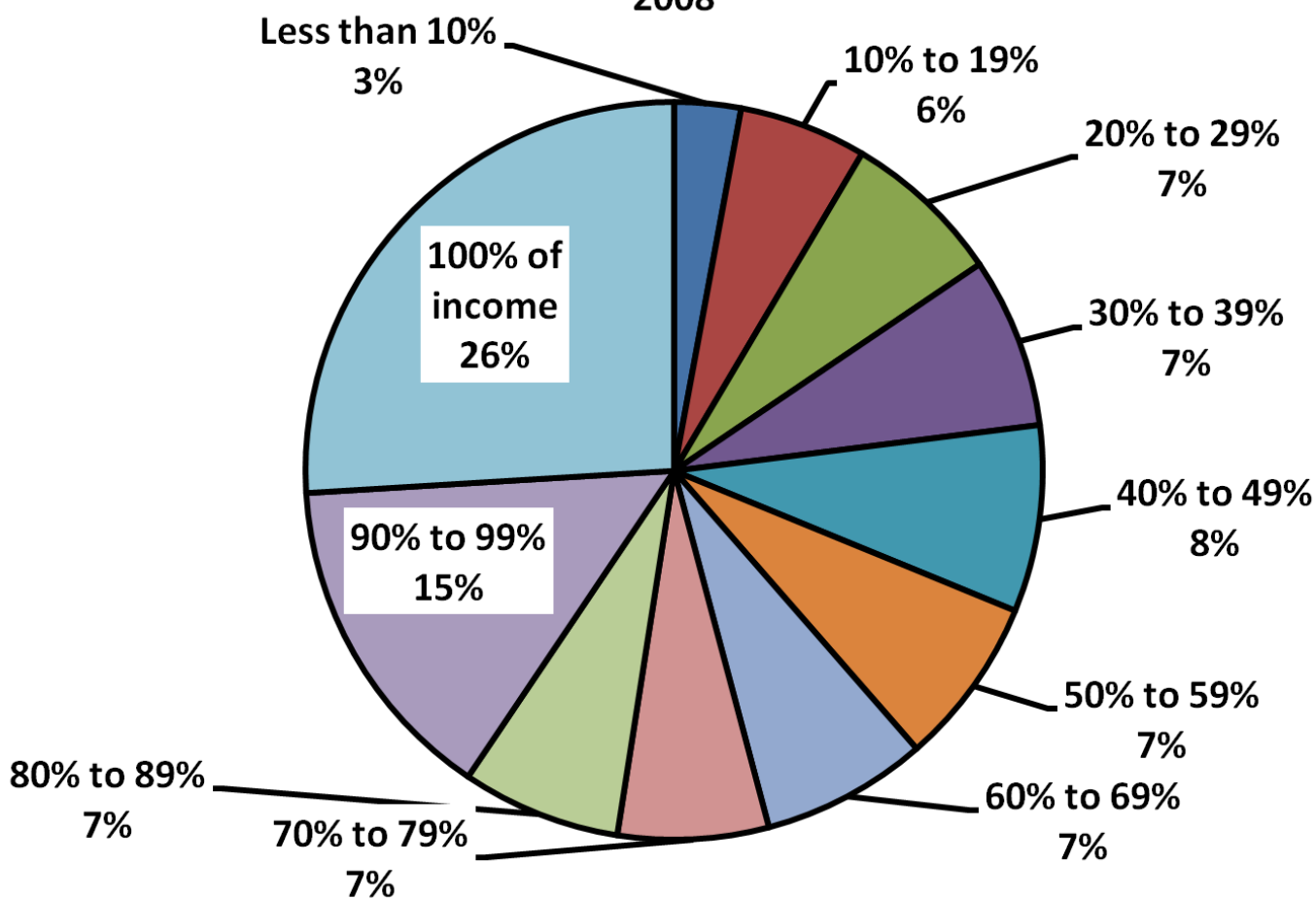
The **BIG** Question:

*What happens
when you have lots
of elderly people
who aren't getting
what they hoped to
get?*



Social Security

Percent of Income from Social Security of Beneficiaries, Age 65+,
2008



Do you think it will be necessary to cut spending on Medicare/Social Security... in order to significantly reduce the federal budget deficit?

WSJ/NBC 3/3/11

Response	Medicare	Soc Sec
Yes	18%	22%
No	54%	49%
No Opinion	27%	27%
Don' t Know	1%	2%

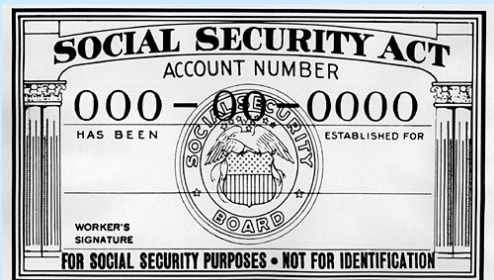
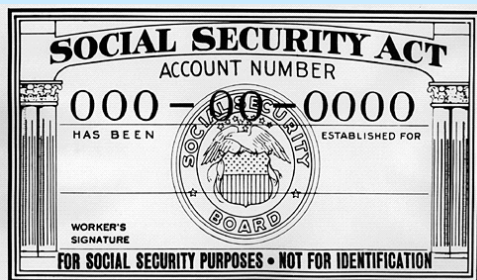


“Forget about me. Save Social Security!”

Danger of current Social Security discussion

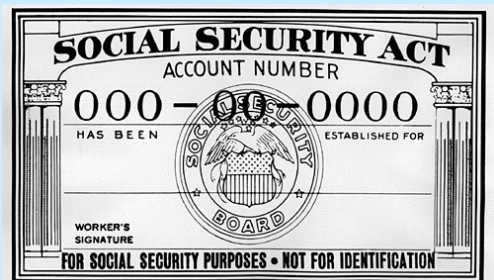
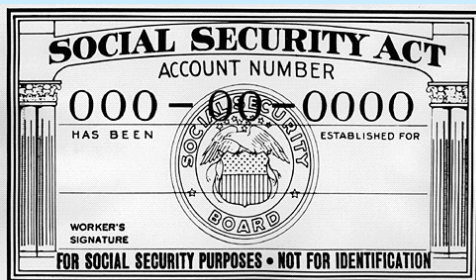
- You (or the trust fund) could earn more privately.
- There really is no trust fund.
- There is a trust fund *but* the money is being spent on other things. (The fund is being drained or even robbed)

Conspiracy!



Some Examples

- *“One of Washington’s dirty little secrets is that there really are no trust funds. The government spent that money long ago to finance general government spending...”*
(Peter Ferrara and Michael Tanner, CATO)
- *“Taxes paid by today’s workers are used to pay today’s retirees. If money is left over, it finances other government spending – though to maintain the insurance fiction, paper entries are created in a “trust fund” that is simultaneously an asset and a liability of the Government.”*
(Milton Friedman)
- *“To save Social Security, we must first stop looting it for spending programs or tax cuts.”*
(Former Sen. Ernest Hollings [Dem.]

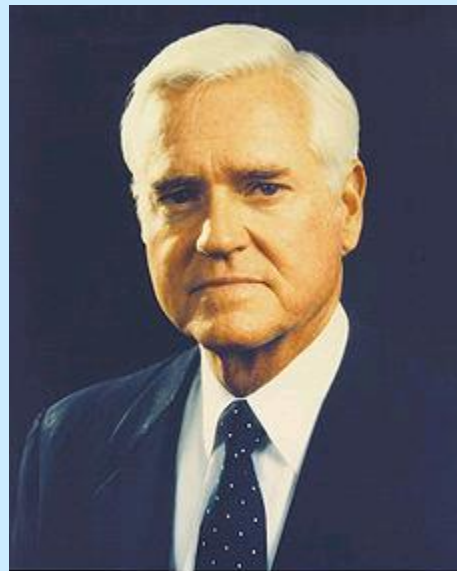




Michael Tanner



Peter Ferrara

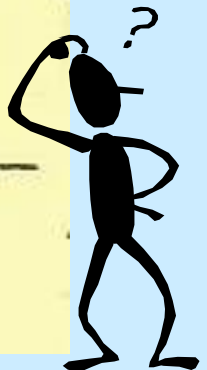
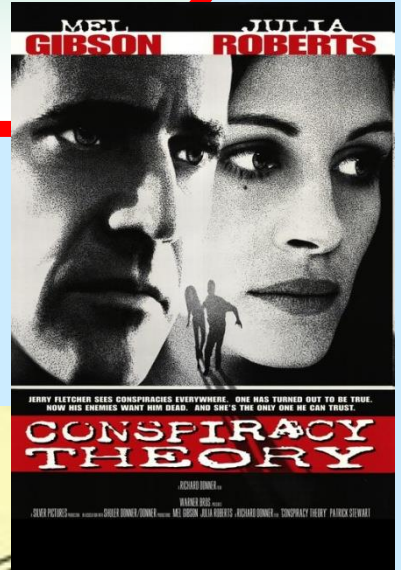


Ernest Hollings

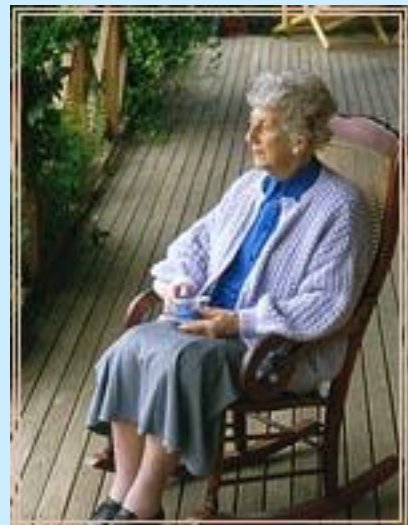


Yet One More Interesting Question for the 21st Century

- What did “they” do with my 401k?



Dividing the Pie



Who Supports the Elderly?



Actuaries?

Trust funds?

Politicians?

Payroll taxes?

Private pensions?

Who Supports the Elderly?



Receipts from Social Security, private pensions, personal savings, relatives, etc., are simply consumption tickets. Consumption tickets do not make the pie bigger.

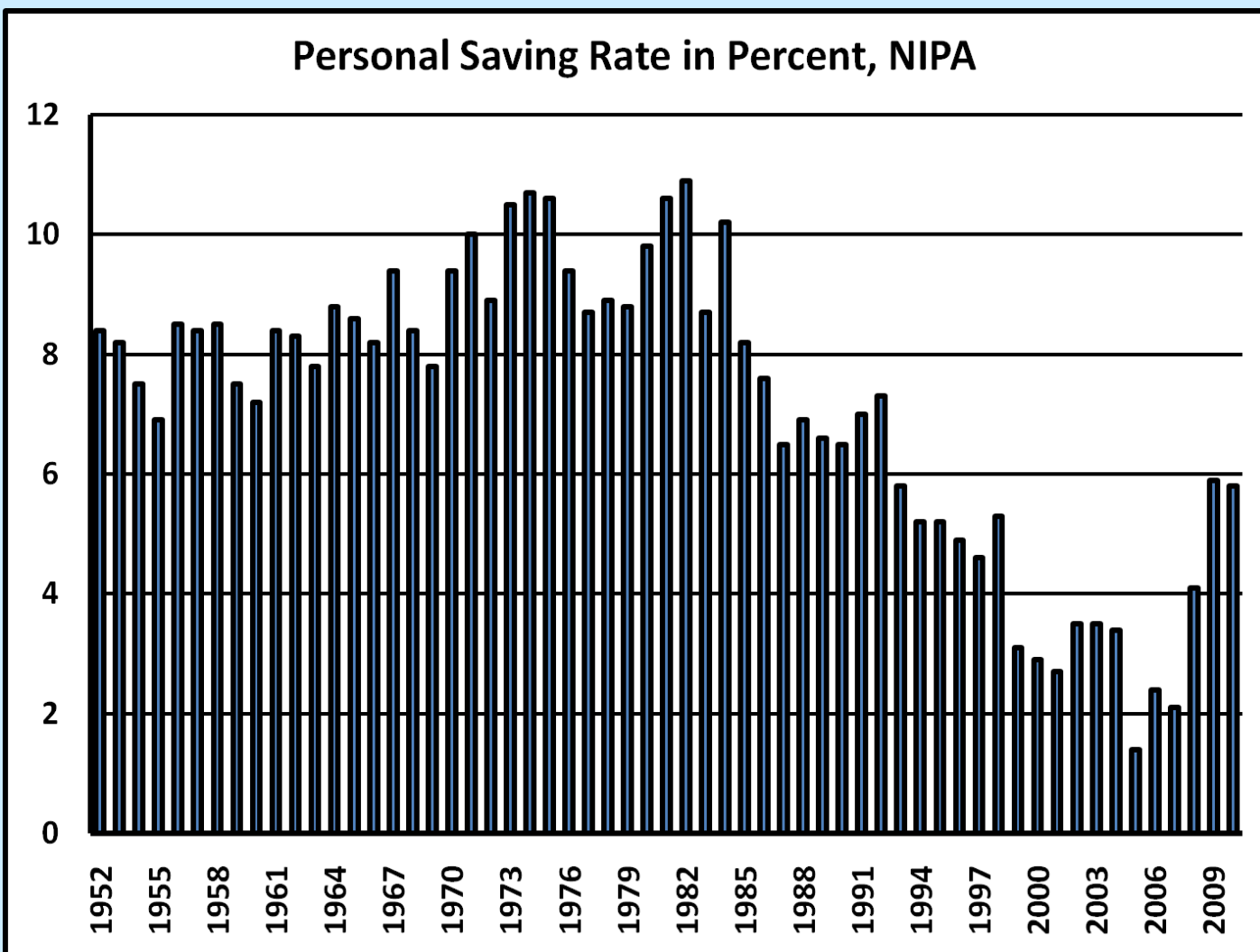


**Unless you make the
pie bigger, giving one
group a bigger slice
means a smaller slice
for some other group.**





Only known way to make future pie bigger is saving



**If you tell young people
that if they pay the same
payroll tax but part goes
to private accounts, they
will have more when they
retire...**



**...is that likely to increase
their rate of saving?**

**The only thing we learn
from pension history...**



**...is that it leads to
unforeseen and sometimes
destabilizing future events**

L A Times

1/20/03

A16

THE NATION

Last Widow of Union Veteran Dies at Age 93

From Associated Press

BLAINE, Tenn. — Gertrude Janeway, the last widow of a Union veteran from the Civil War, has died in the three-room log cabin where she lived most of her life. She was 93.

Bedridden for years, she died Friday, more than six decades after the passing of the man she called the love of her life, John Janeway, who married her when he was 81 and she was barely 18.

"She was a special person," said the Rev. Leonard Goins, who officiated at her funeral Sunday. "Gertie, as she was called, had a vision beyond that [cabin] that kept her going. She never had any wavering or doubt in her salvation."

She was to be buried today near her husband's slender military tombstone at tiny New Corinth Church cemetery.

An honorary member of the Daughters of Union Veterans of the Civil War, Janeway was the last recognized Union widow. She received a \$70 check each month from the Veterans Administration.

Still alive is Confederate widow Alberta Martin, 95, of Elba, Ala.

Janeway once recalled getting married in the middle of a dirt road in 1927 with family and friends gathered around. Her husband bought her the cabin in 1932 and it was there that he died in 1937, at 91. "After he died, why it just seemed like a part of me went down under the ground with him."



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PENSIONS POLITICS AND THE ELDERLY

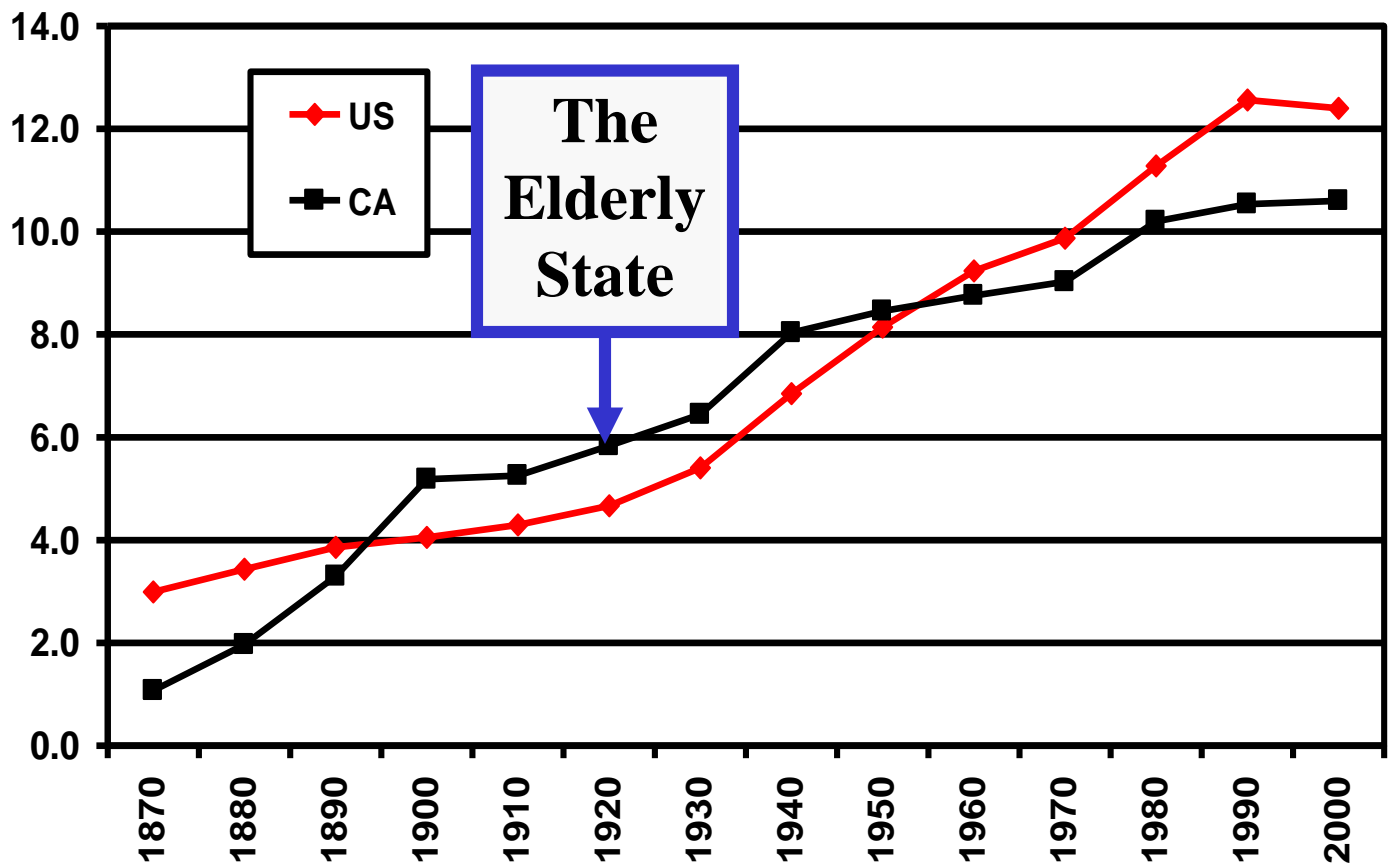
Historic Social Movements
and Their Lessons
for Our Aging Society



Daniel J. B. Mitchell

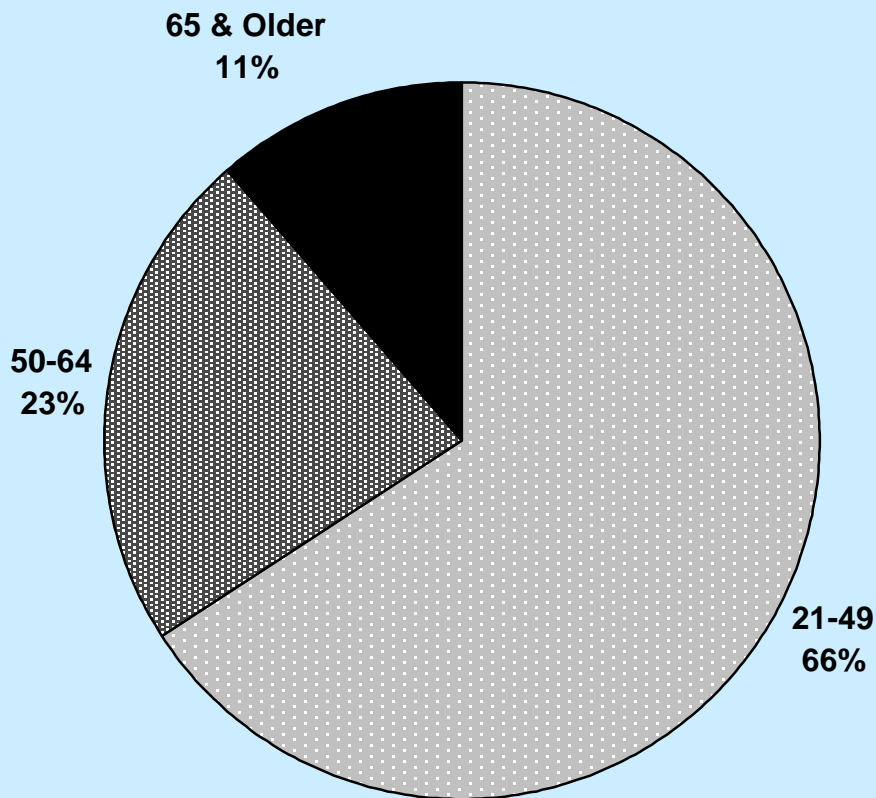
California's Demographic Past

Population 65 & Over as % of Total:
US vs. California



Most recent
US: 12.6%
CA: 10.9%

Age Distribution of the California Population Aged 21 and Over: 1940



California: 1920s Characteristics

- A demographic Florida
- Concentrated population
- Direct democracy
- Limited old age support



Wilshire's I-ON-A-CO



GAYLORD WILSHIRE
Inventor of the I-ON-A-CO



**Magnetic Invention Opens
Short Cut to Health**

Come in and take a
delightful 10-minute
FREE TREATMENT

The I-ON-A Company

Sales and Demonstration Room
617 So. Hill St., Los Angeles
Phone: TRinity 3101

Advertisement in *Saturday Night*, January 15, 1927.

FOE as Friend

**Of the California elderly
population 70+ years**



**The (Assemblyman William)
Hornblower Act of 1929
mandates “outdoor relief” with
state subsidy to the counties.**

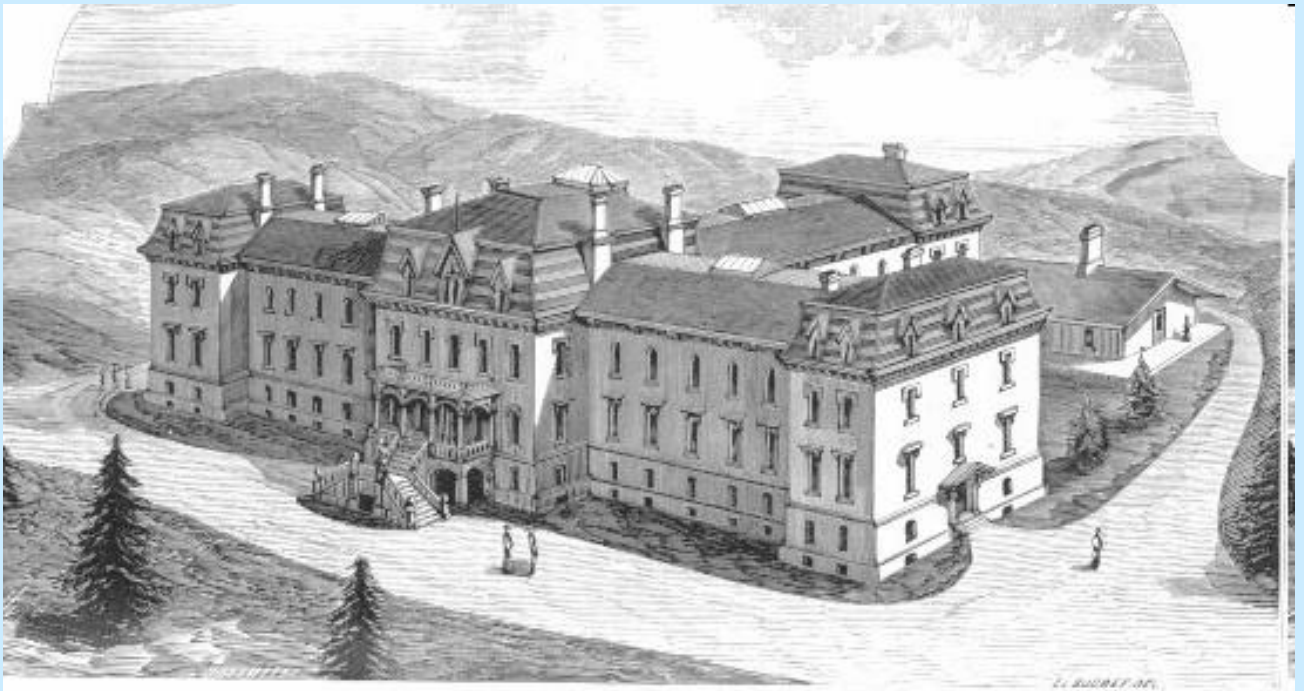


13. California Assemblyman William B.
Hornblower

Outdoor Relief?



San Francisco Almshouse





8. Gov. Frank E. Merriam (right) joining Townsend to help open the Townsend Plan's third annual convention. Held in the Los Angeles Coliseum June 20-23, 1938, the convention was attended by some 20,000 persons from all over the country.



The Townsend Plan Movement

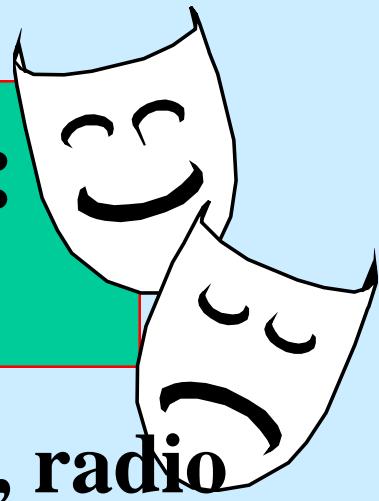


The Townsend Plan Movement



Ham and Eggs:

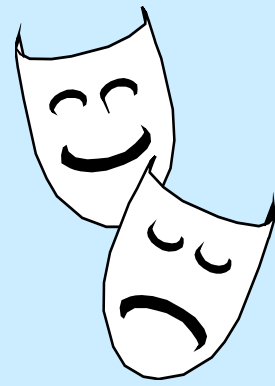
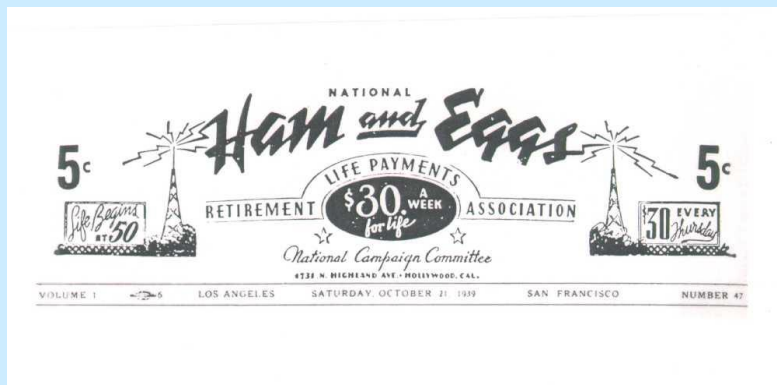
The Cast



- **Robert Noble**: Creator, radio broadcaster, critic of L.A. mayor Frank Shaw, later seditionist



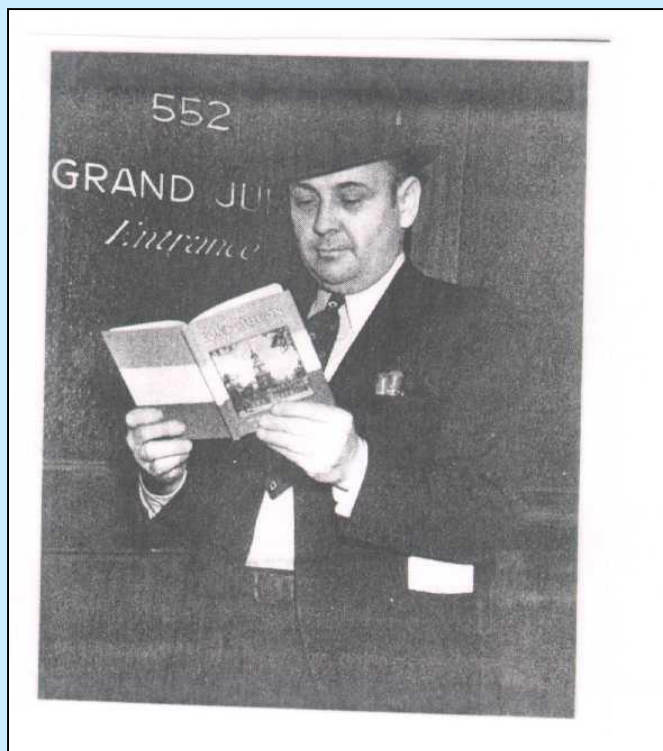
- **Willis and Lawrence Allen**: Con-men *extraordinaires*, hair tonic promoters, would-be Mexican radio station owners, forgers, owners of Cinema Advertising Agency



- **Robert Noble**: Creator, radio broadcaster, critic of L.A. mayor Frank Shaw, later seditionist
- **Willis and Lawrence Allen**: Con-men *extraordinaire*, hair tonic promoters, would-be Mexican radio station owners, forgers, owners of Cinema Advertising Agency
- Capt. **Earle Kynette** of the LAPD: Maker of offers that couldn't be refused, head of the Red Squad, car bomber



14. Led by Robert Noble, picketers descend on State Capitol in Sacramento to threaten Governor Olson with a recall movement if he does not have pension laws enacted. Olson was making his inaugural address at the time.



Willis



16. (Left to right) Roy G. Owens, Willis Allen, and Will H. Kindig in their main Los Angeles campaign headquarters on the night of November 6, 1939, the eve of the election in which their "\$90-Every-Thursday" plan was rejected by California voters

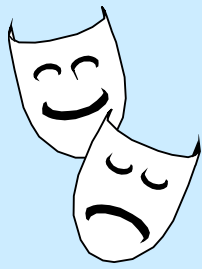


15. At Los Angeles Shrine Auditorium, November 5, 1939: (left to right) Lt. Gov. Ellis Patterson, with Lawrence W. Allen, Roy G. Owens, and William R. Peeler of the Ham and Eggs movement

Lawrence



L.A. Mayor Frank Shaw



- **Sherman Bainbridge:**
Radio voice of Ham
and Eggs, one time
promoter of “Plenocracy”
- **Roy Owens:**
“Engineer-economist”
of Ham and Eggs, past
legislation drafter for a
religious cult





12. Culbert L. Olson being sworn in as Governor, January 2, 1939

Culbert Olson

**Elected Governor
in 1938**

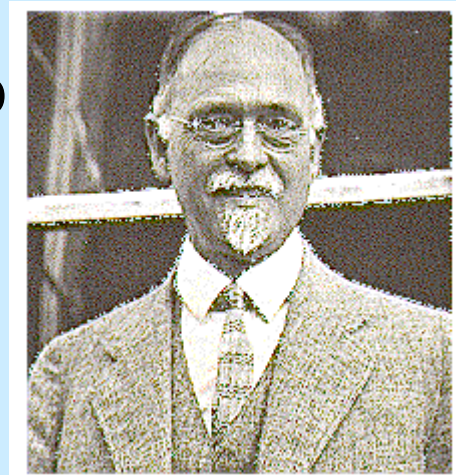
Earl Warren

**Elected Governor in
1942**

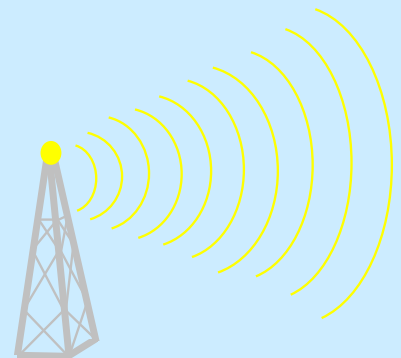


The Noble Vision

- ✓ Every California citizen over 50 who did not work would get “\$25 Every Monday” (later “\$30 Every Thursday”)
 - ✓ Primary source of finance: Fisherian stamp money (“warrants”) to be issued by the state. Each dollar of warrants would require a weekly 2 cent stamp
-
- ✓ Roy Owens to be in charge
 - ✓ On the state ballot in 1938 and 1939

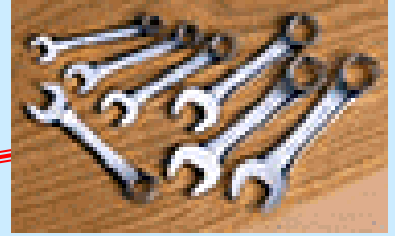


**Irving
Fisher**

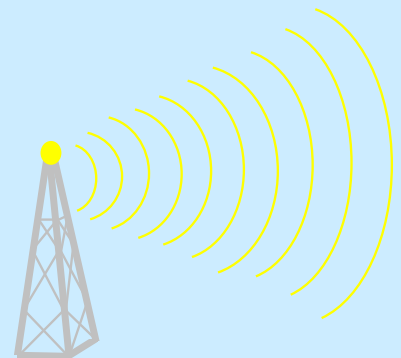




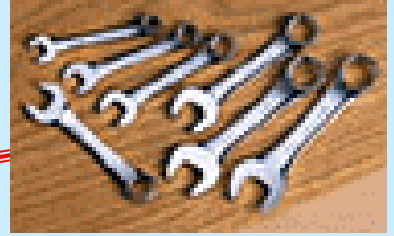
The Allen Wrench



- ◆ The Allens join with Noble
- ◆ The Mexican radio station
(Foghorn Murphy affair)
- ◆ The forged letter
- ◆ Enter Capt. Kynette
- ◆ The coup
- ◆ The new voice of
Bainbridge
- ◆ Olson waffles
- ◆ The labor alliance
- ◆ The martyr



The Allen Wrench



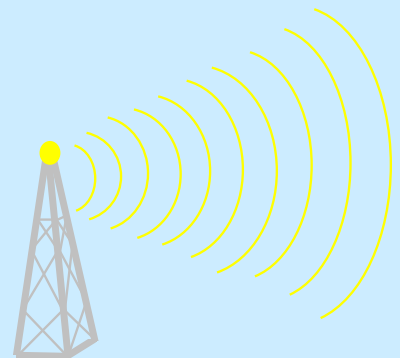
◆ The Allens join with Noble

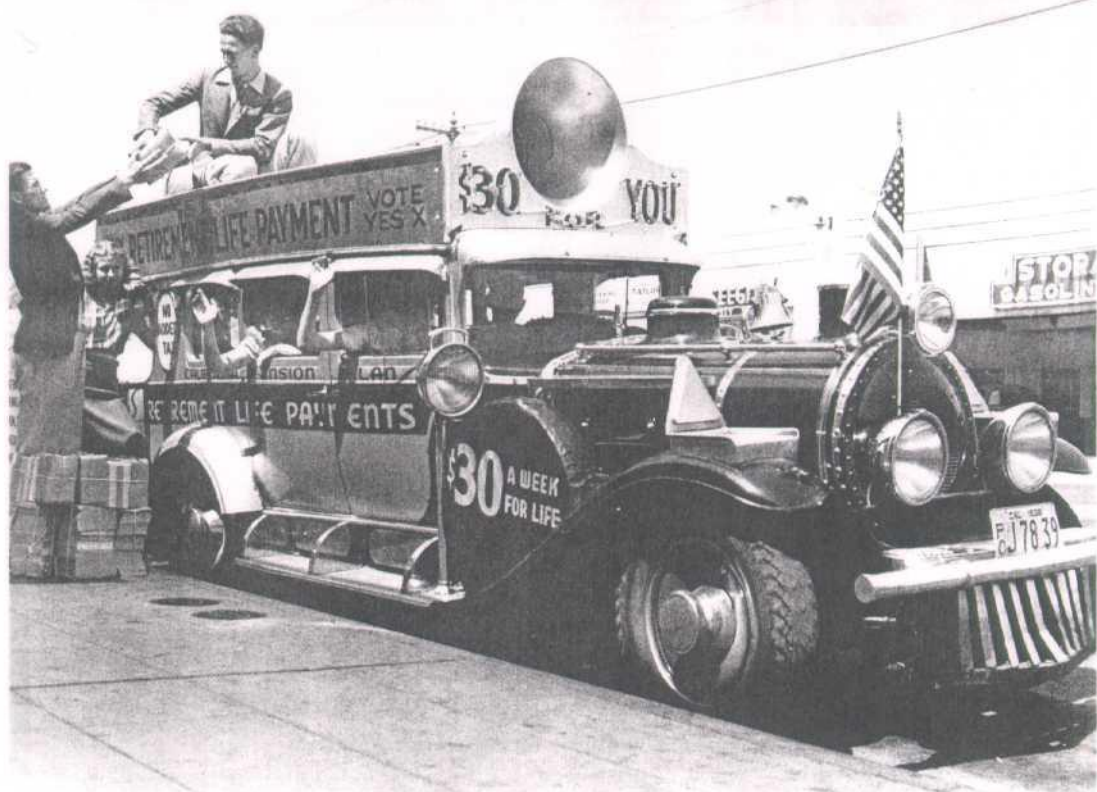


◆ Olson waffles

◆ The labor alliance

◆ The martyr

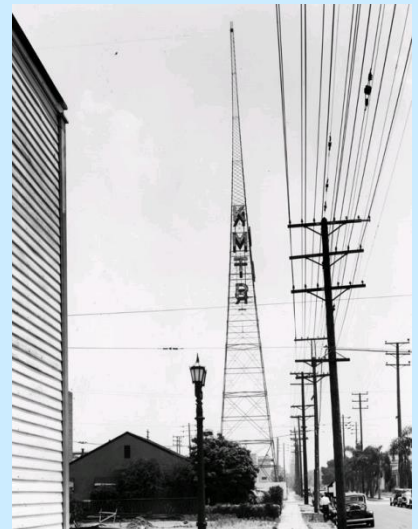




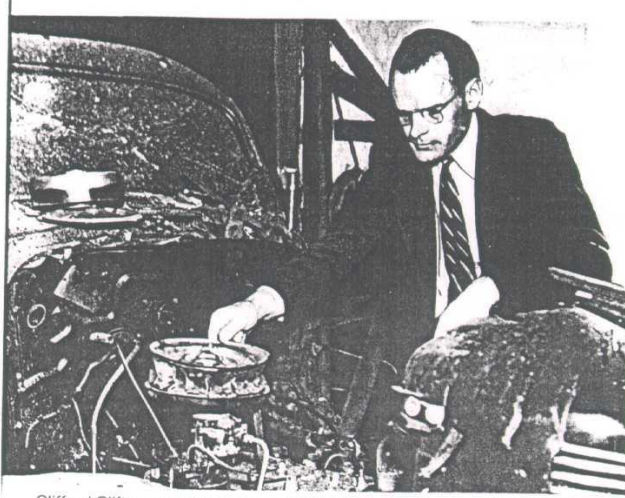
Ham and Eggs sound truck, July, 1938. Courtesy, UPI/Corbis-Bettman.



KMTR Studio



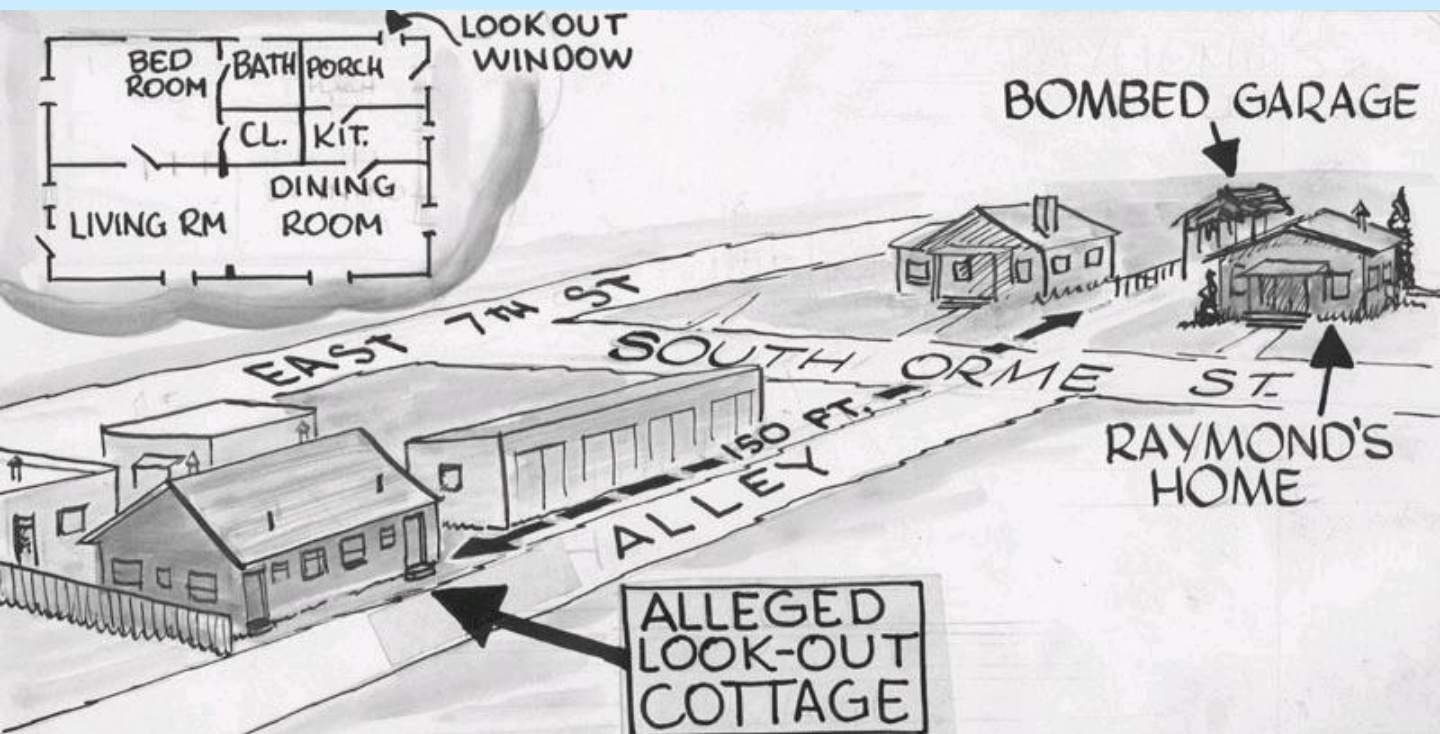
◆ The Big Bang



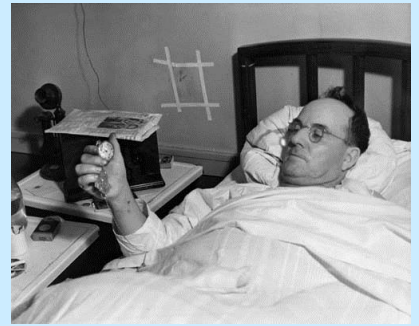
Clifford Clifton examines Harry Raymond's bombed-out car in 1938. (Hearst Collection, USC Library)



◆ The Big Bang



**Diagram from newspaper
account of bombing**

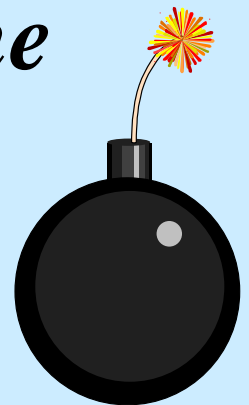


“Who did it, Harry?”

“That son of a bitch Earle Kynette... I want you to promise you’ll get him for me.”

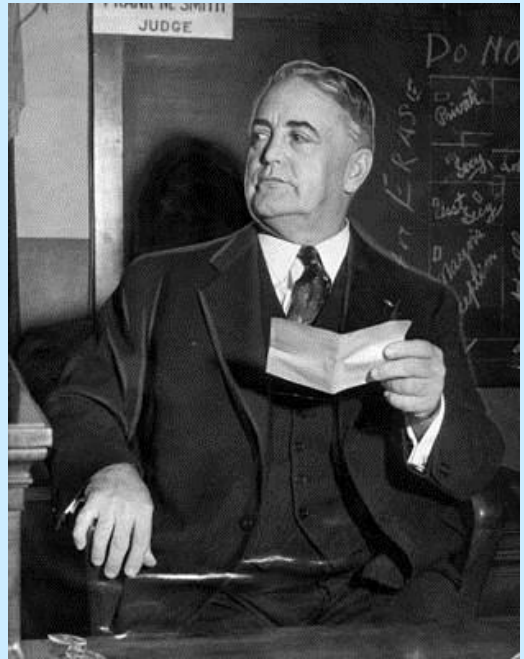
“I’ll get him for you, Harry.”

“They told me they would get me. They put Kynette on me. ...Kynette takes his orders from City Hall and they wanted me out of the way. He’s the one who rigged the bomb.”



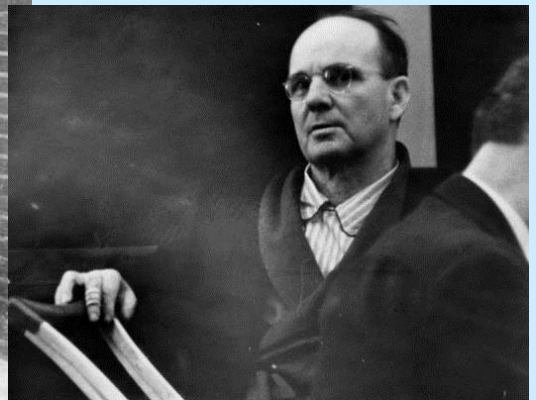


**Police Chief
James Davis**



**Mayor Frank
Shaw**

**Private Investigator Harry
Raymond testifies**





**Robert Noble and Clifford Clinton
watch the trial**



Kynette jury



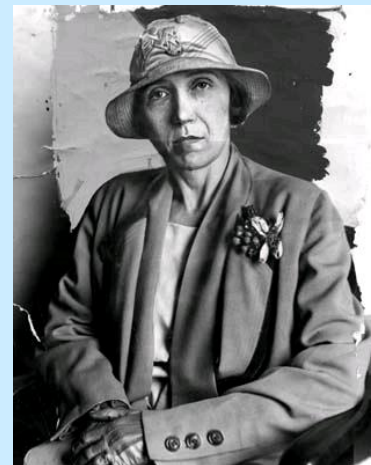
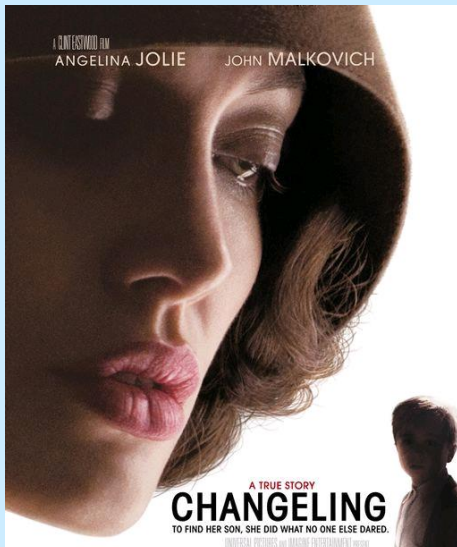
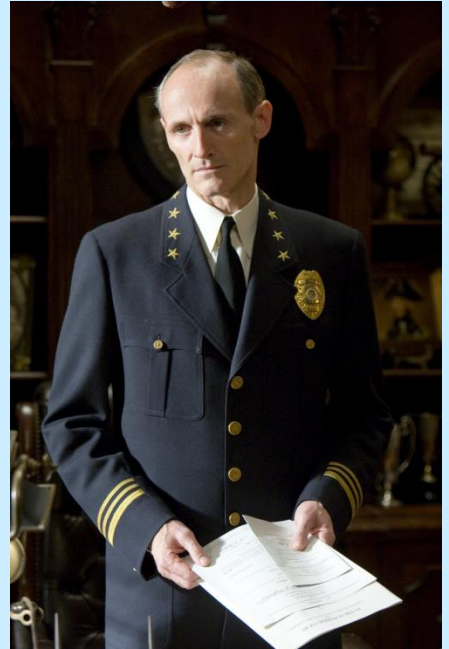
Eleanor Kynette



**Shaw (left)
congratulates
Bowron**



A Tangent Story

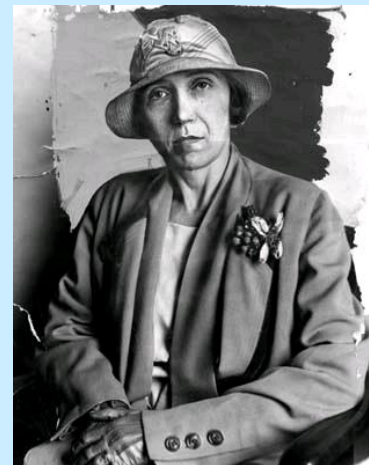




**The real
victim**



**The
imposter**



○The cheated, singing partner

○The failed coup

○The 1938 election

Round 2

○Olson waffles

○Olson's betrayal

○The 1939 election

○The failed recall

○The Warren alliance

○Aftermath: The entrance of
“Uncle” George McLain



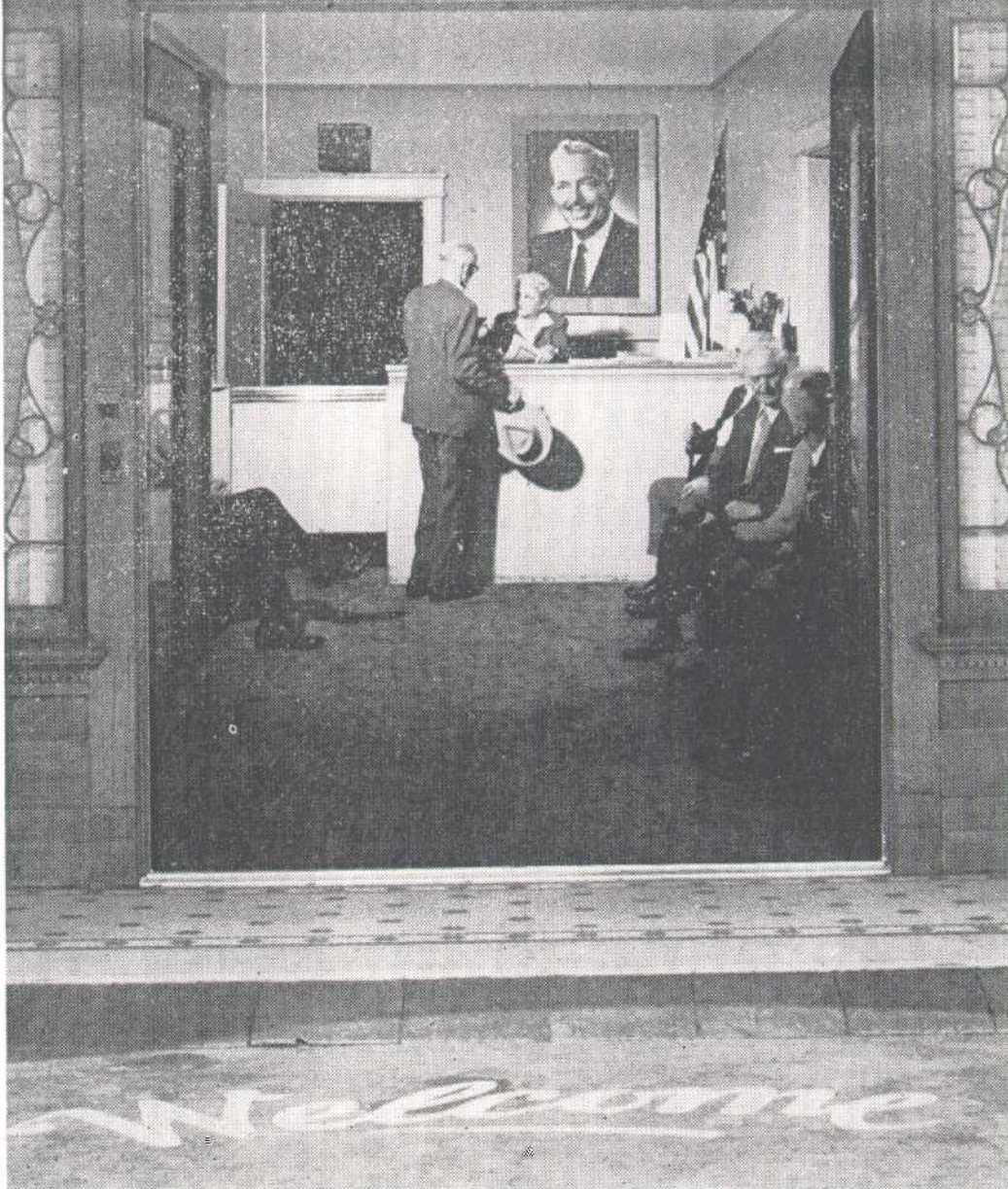
“Uncle” George McLain’s California Institute for Social Welfare and his 1948 ballot initiative



George McLain, Chairman, Board of Directors, California Institute of Social Welfare.

"THRU THESE PORTALS PASS THE
BUILDERS OF A NATION... THEY
SHALL NOT BE FORGOTTEN"....

1031



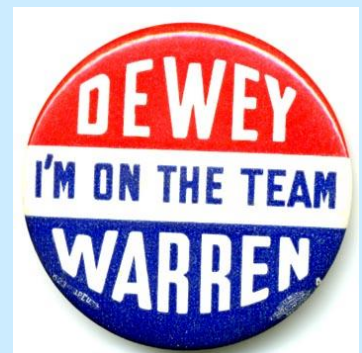
1948





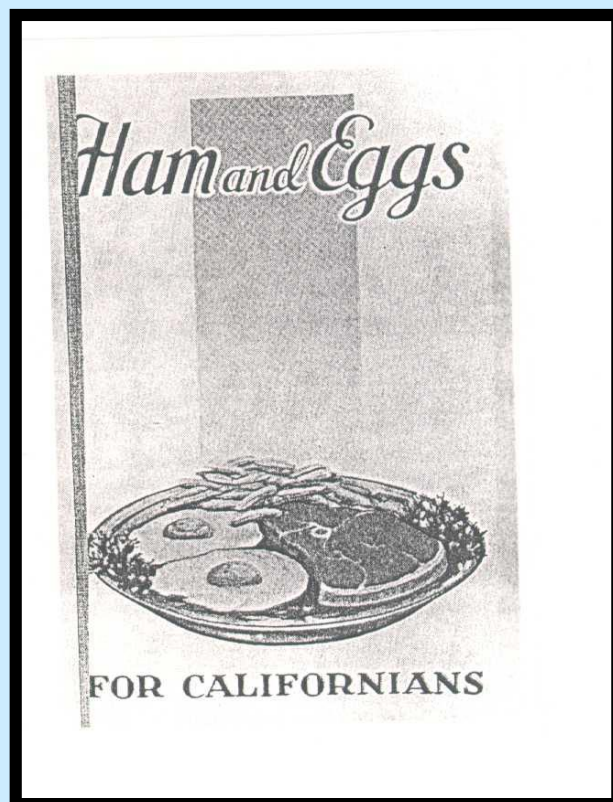
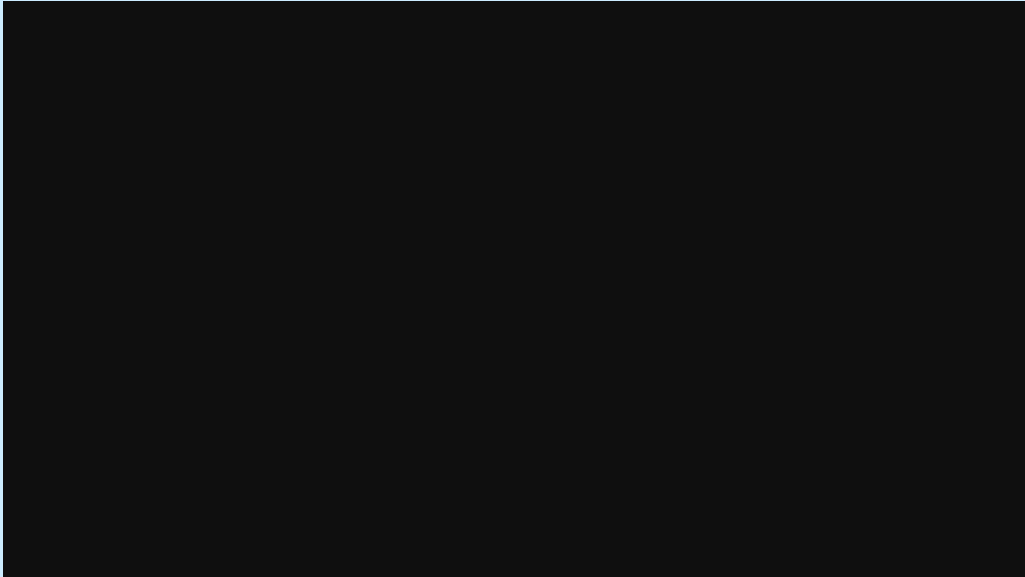
“Uncle George” Takes Over

- ⚙ **California Institute for Social Welfare**
- ⚙ **1948: Myrtle Williams, state welfare czar**
- ⚙ **Legislative investigation**
- ⚙ **1949: The empire strikes back**
- ⚙ **California finally consumes its Ham and Eggs**

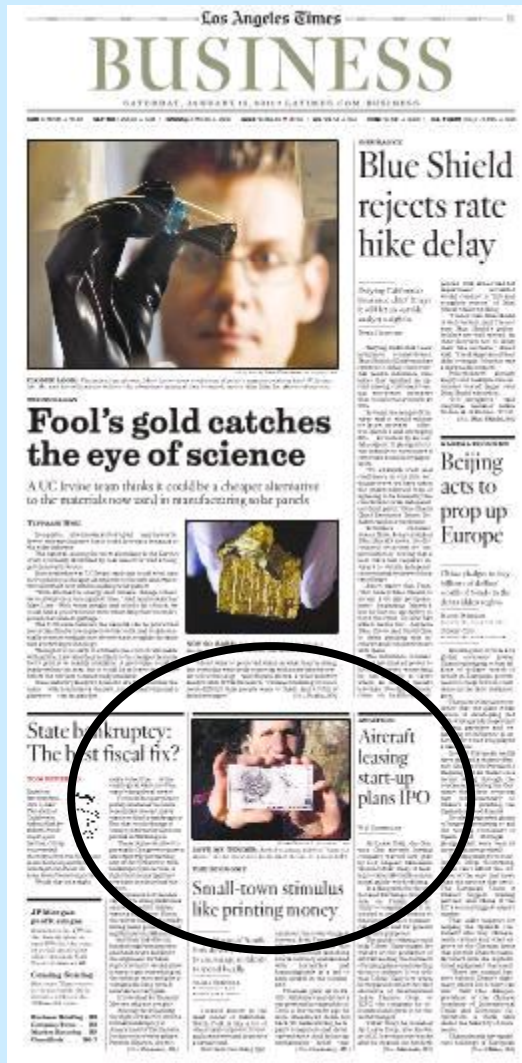


Why did all this happen?

- **Demographics**



The more things change, the more they stay the same



ALANA SEMUELS Los Angeles Times

LOVE MY TENDER: Josh Freeman holds a "quarter share" of the currency he helped devise. It's worth \$3.

THE ECONOMY

Small-town stimulus like printing money

Two citizens of North Fork develop a scrip to encourage residents to spend locally.

ALANA SEMUELS
REPORTING FROM
NORTH FORK, CALIF.

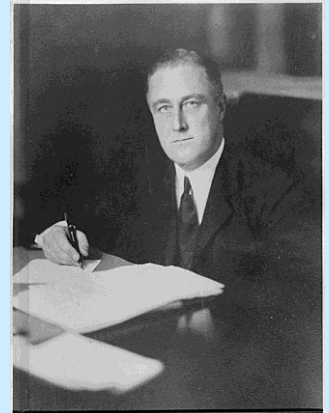
Deal about the town's biggest booster, Josh Freeman. His efforts to resuscitate this tiny town include launching a local currency emblazoned with butterflies and hummingbirds in a bid to keep wealth in the community.

Freeman grew up in Pacific Palisades and drives a car powered by vegetable oil.

LA Times 1-15-11

The New Deal

- **Monetarism**
 - Change in gold price
 - Fiddling with silver
 - Bank regulation
- **Underconsumptionism**
 - N.I.R.A.
 - Minimum wage
 - Wagner Act
- **Work spreading**
 - Overtime
 - Anti child labor
- **Government payments**
 - Welfare
 - Unemployment compensation
- **Pensions**
 - Social Security
 - Old Age Assistance



**“Let’s talk sense to the
American people.”**



Adlai Stevenson

Time to Level With the
American People



Time to Level With the American People



- **Social Security is an inter-generational contract; it isn't a private pension plan.**
- **There will be a bulge in the elderly population as the boomers retire.**
- **As a result, boomers are going to get (somewhat) less than promised...**
- **...and the younger generation will be paying out more than if there had not been an elderly bulge.**
- **None of this has anything to do with trust funds, returns in the financial market, or private accounts.**
- **Most “reform” proposals have little or no effect on the size of the pie.**

**Unfunded liability of
\$24 trillion!!!**



Useless information

**75 years, constant dollars
(\$700 billion), 2.5% real
interest rate**

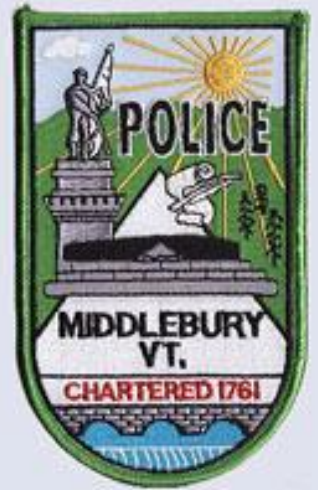
The Santa Monica, CA Police Dept. has an unfunded liability of...



...over \$26,800 per resident!!!

**75 years, constant dollars
(\$70 million), 2.5% real
interest rate**

The Middlebury, VT Police Dept. has an unfunded liability of...

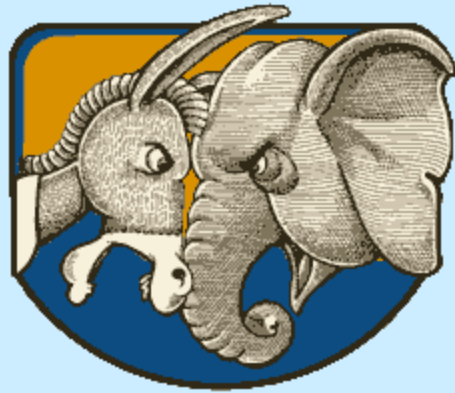


...over \$7,100 per resident!!!

**75 years, constant dollars
(\$1.7 million), 2.5% real
interest rate**



Is anyone listening?



- *Unlike the ham & eggs era, health care & costs rather than pensions may be the retirement issue of the 21st century*
- *But the shift from defined-benefit to defined-contribution type pensions raises the importance of Social Security (which is defined-benefit)*
- *Vague talk about “entitlements” suggests we are not having the needed conversation*

Final question



JEFF KOTERBA Omaha World-Herald

- *Is the recent federal budget discussion changing the dynamic? Or is it the 21st century version of Ham and Eggs?*

Ham and Eggs in the 21st Century?

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Us about the Future of Retiring Baby
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